

# Global Economics, Econ 13

Mark McNeil  
Spring 2007

**Welcome to Global Economics.** This course reviews the institutions and economic theory associated with international trade and global integration. It first explains the theoretical basis for trade among countries- wealth. It then reviews institutional structure in which trade takes place, and finally it investigates some of the major problems and criticisms of international economic integration. The course is very topical in that it will attend to many of the issues that are currently of major consequence in the political arena: trade restrictions, globalization, trade deficits, and exchange rate management. In addition to the economic aspects of these issues, we will also integrate into the discussion the political and social consequences of international trade.

**Text and Readings.** The text used in this course will be International Economics, by Robert J. Carbaugh, 11th ed. (ISBN 0-324-42194-X). There will be additional readings assigned during the semester.

**Grading.** There will be 3 midterm examinations (50 points each), homework assignments, quizzes or other assignments (100 points total), and a comprehensive final examination (100 points). The mid-term examinations and the final examination will be part multiple choice questions and part short essays and problems. The quizzes will be multiple choice only. For every test or quiz you will need to bring a Scantron form (one that has 5 possible answers, a-e) and a simple calculator. You may not use cell phones, PDA's, or fancy calculators. When I calculate the grade, I drop the lowest 50 point test score. Final grades will be assigned as follows: 90% or more of the total points, A; 80% of the total points, B; 70%, C; etc. The diagram below will help you keep track of your grades. Please keep all returned tests, quizzes and homework for your records.

**I strongly encourage you to do the following in this course:**

- 1. Attend.** You need to attend class because you are responsible for what happens in the class – if a test or quiz is announced or if something is handed out; because you need a complete set of notes to study for tests or the final exam; because listening to the lectures is very helpful in learning the material; and because the instructor gets lonely and feels rejected when students do not attend the lecture.
- 2. Be Optimistic and Do the Work.** Hard work and perseverance are rewarded. There is no substitute for spending the time to do the work. Success in an economics class is almost always the result of hard work and a positive attitude. This material is manageable - I promise. Stick with it.
- 3. Ask questions.** If you have questions or difficulties, ask. Ask questions in class, ask other students, ask me, or go to the tutoring center in the library.
- 4. Relate** the course material to the real world. Since an economics course will help you understand your world much better, feel free to raise questions about economic events that are taking place during the semester.
- 5. Enjoy** the process. Learning involves work and is sometimes difficult, but it is also very satisfying and, in some strange way, fun. Make it a positive experience.

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## COURSE OUTLINE AND ASSIGNMENT SCHEDULE

### LESSON 1 Introduction to the International Economy

- Globalization comes is waves
- Why trade? (Imagine a world with no trade.)
- The importance of trade
- Trade, competition and economic growth
- The anti globalization issue

Reading assignment: Chapter 1 Carbaugh

### LESSON 2 Trade Theory

- Comparative advantage and its effects
- Sources of comparative advantage

Reading assignment: Chapters 2 & 3, Carbaugh

### Test 1, Chapters 1-3

### LESSON 3 Trade Restrictions

- Tariffs and their effects
- Other trade restrictions
- A tour of trade regulations and industrial policies
- Trade and its effects on developing countries

Reading assignment: Chapters 4, 5, 6, & 7 Carbaugh

### Test 2, Chapters 4-7

### LESSON 4 The Balance of Payments

- Keeping the books - the balances
- What do surpluses and deficits mean?
- The US as a debtor nation

Reading assignment: Chapter 10, Carbaugh

### Lesson 5 Foreign Exchange and Exchange Rates

- Foreign exchange markets - supply and demand, of course!
- Futures and options
- Forward vs current rates
- A history of exchange rates
- What should exchange rates be? PPP?
- PPPP?
- The long and the short of exchange rates

Reading assignment: Chapters 11, & 12, Carbaugh

**Test 3, Chapters 10-12**

**LESSON 6 Balance of Payments Adjustments**

- a. In the old days...
- b. More recently

Reading assignment: Chapter 13, Carbaugh

**LESSON 7 Exchange Rate Systems**

- a. Fixed
- b. Floating
- c. Dirty float
- d. Pegs
- e. Others

Reading assignment: Chapter 15, Carbaugh

**LESSON 8 The Macroeconomic Effects of International Trade**

- a. Aggregate supply and aggregate demand
- b. Effects of trade and exchange changes on the domestic economy
- c. How monetary and fiscal policy affect trade and exchange rates

Reading assignment: Chapter 16, Carbaugh

**LESSON 9 Some Final Thoughts (before the final)**

**Final Examination**

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Please be aware of the following dates:

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January 8, Martin Luther King, Jr. Holiday, (Monday)

**February 13, Last day to drop without "W"** (It is also the last day to select the credit/no credit grading option.)

February 16-19 (Friday-Monday), Presidents' Day Holidays

March 12-18 (Monday-Sunday), Spring Break

March 19, Second 8-week session begins

**April 4, Last day to drop the class**

May 10 (Thursday), Faculty Contractual Day - Classes not in session

May 11-17 (Friday-Thursday), Final Examinations **Final Exam Schedule**

May 18, Commencement

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Office Hours (please note that these are subject to change):

Mon-Wed 11-12:30

Tues -Thurs 10-11

The McNeil, Microeconomics web page address is: <http://faculty.ivc.edu/mmeneil/>

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**About the Issue of Academic Honesty:**

a. It is a fundamental requirement of the course that you do your own work and abide by the academic honesty policy. If you cannot do this, you cannot pass the course.

a. Any work you turn in must be your own. If you study and do your homework with other students, you may work out the answers to the problems together, but when you write your answers on the homework paper, it must be in your own words.

b. The penalties for any type of cheating are very severe. Please be sure to do your own work.

**Mobile phones must be turned off. No exceptions.**

**No cameras or recorders except with permission.**

**Talk to me if you want to use a laptop in the class.**

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The information on this syllabus is subject to change over the course of the semester. Information about any changes will be discussed with and provided to the class.

Please forward your student email account to your home account so that I can communicate with you should the need arise.